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ED/EC M-268

September 10, 1957

EXECUTIVE COMMITTEE OF THE
ECONOMIC DEFENSE ADVISORY COMMITTEE

MEETING

2:00 p.m., Wednesday, September 4, 1957
Room 1213 Maiatico

Attendance

MDAC

Mr. Hale, Chairman
Mr. Kramer, Executive Secretary
Mrs. Huver, Committee Secretary

CIA

Mr. [REDACTED] 25X1A9a

Commerce

Mr. George

Defense

Mr. VanSant
Mr. Carmody

ICA

Mr. Slaght

State

Mr. Wright
Mr. Hamilton

Treasury

Mr. Pollak

Agenda

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Note a. [REDACTED] Eligibility for Assistance

1. List II Review for 1958

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Note a. Eligibility for Assistance
(Ref. EDAC D-136 series; EDAC M-63)

The Chairman stated that EDAC D-136/5, which reports on an informal discussion with the General Counsel on the questions which were raised at the last EDAC meeting, is being distributed today. The General Counsel, in his memorandum, points out that the informal opinions given by him therein are subject to further study of the law and the exact provisions of the transaction contemplated. He made it clear in discussion, however, that, unless he changed his mind, he would advise the Director of ICA and the Battle Act Administrator that the proposal in question is a great strain on the general Congressional intent of the Battle Act.

25X6 The Defense member said that, with respect to his statement in ED/EC M-267 that [REDACTED] is producing and exporting mortars, his agency, after further investigation, now feels that there is no likelihood that shipments would be made to the Bloc, because it is believed that if the matter is taken up with [REDACTED] they would take any action necessary to prevent such shipments. This, however, does not change the recorded Defense position on this subject.

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1. List II Review for 1958
(Ref. POLTO 294, July 31, 1957)

Decision

The draft reply to POLTO 294, as revised at this meeting, was approved by all members for transmission to the USDEL. (See TOPOL 603, 9/6/57)

Further discussions will be held in the Executive Committee with respect to the U. S. proposals for the forthcoming List II discussions, and also with respect to quotas for shipments of List II commodities to Poland.

The State member will draft a message, for review by the members, in response to the comments requested by the USDEL in POLTOs 262 and 470.

Discussion

The Chairman said response to POLTO 294 had been delayed because it had been thought that some judgments could be obtained from the work presently being done by WG I which would help us to come closer to estimating what the U. S. position in the future might be and thus have some bearing on the response. However, since the studies have been delayed, instructions must be sent without benefit of that information.

The Chairman distributed a draft reply to POLTO 294 and asked for comments from the members.

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The Commerce member said he agreed that we should press for single quotas for the entire Bloc but he questioned whether, for the future, Poland should be treated as part of the Bloc or whether some special arrangement should be designated. He thought it had been decided tentatively at an early stage that we envisaged that in 1958 Poland would not be part of the quota set up for the Bloc. In that regard, he also pointed out that we are in a somewhat awkward position in that we already had proposed and generally accepted the idea that Poland, for the rest of this year, could be in a non-quota basis under certain circumstances. To revert to placing Poland entirely in the quota for 1958 could be viewed as tightening up of current proposals, although we are not bound by it for future periods.

He further felt that, whether or not we have special treatment for Poland, if we are going to have a Sino-Soviet bloc approach to single quotas, we must review items in the light of the Sino-Soviet bloc and, therefore, could not deal only with the items the PCs would want discussed.

There was a discussion of what had actually been agreed upon with respect to quotas for shipments to Poland. It was determined from TOPOL 233, July 24, and COCOM Doc. 2578 that the present policy is as follows: When a country has exhausted its List II quota for the Soviet Bloc, it should first resort to the use of the unallocated quota. When that quota is exhausted it should seek, through the Committee, to borrow from unused quotas of other member governments or obtain redistribution of unused quotas. If other PCs are not agreeable to such borrowing or redistribution, the country could export on an ex quota basis with the requirement that the matter be reported to COCOM concurrently with the licensing.

There was a discussion of all aspects of the forthcoming discussions of List II quotas, including the pros and cons of a review of all List II items in an effort to set a new single quota for 1958 for the Sino-Soviet bloc; the manner in which the List II discussions would proceed and quotas set if only the items proposed for review by the PCs were considered; whether or not the PCs should be asked to open only those items in which the Sino-Soviet bloc quota is inadequate for 1958; the problems proposed by 3(d) if all of the items are not discussed; and the possibility of proposing that the 1957 quotas for the European Soviet bloc provide the initial basis for discussion of 1958 quotas for the entire Sino-Soviet bloc.

The members felt that both the question of quotas for shipments to Poland and the U.S. proposals for List II discussions needed further discussion before agreed instructions could be sent to the USDEL. Since the only instructions needed by the Del at this time are on the question of whether there should be separate List II quotas for Communist China or single quotas for the entire Sino-Soviet bloc and the matter of timing of the discussions of both procedural matters and quotas, the Chairman's draft message was revised to instruct the Del on these matters.

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The Defense member again pointed out that his agency felt that List II has been dominated by commercial advantage and they have serious doubts that there is much security value left in it. He said there is no question that items are strategic, but they are concerned with the amount that is being shipped.

The Defense member also said he would like recorded that his agency feels that the USDEL, at the time of the List II discussions, should clearly explain that the size of the present quotas or the application of 3(d) has virtually nullified controls on List II items. There was no disagreement in the Executive Committee with this recommendation.

The State member will draft a message in response to the Del's request for comments in [REDACTED] It will be circulated to the members on 25X1A2g Friday. If necessary, the draft will be discussed at an Executive Committee meeting on Monday, September 9, 1957.

Distribution:

ED List Parts I & II